

Message Text

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PAGE 01 GENEVA 03318 071833Z

65

ACTION OIC-02

INFO OCT-01 IO-10 ISO-00 EB-07 STR-04 L-02 ABF-01 OMB-01

TRSE-00 SP-02 CIAE-00 INR-07 NSAE-00 AF-06 ARA-06

EA-06 EUR-12 NEA-09 H-02 /078 W

----- 055314

R 071745Z MAY 75

FM U S MISSION GENEVA

TO SECSTATE WASHDC 2726

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E.O. 11652: N/A

TAGS: GATT ETRD OCON

SUBJECT: GATT SALARIES AND ALLOWANCES

REF: (A) GENEVA 2981; (B) STATE 88495

BEGIN SUMMARY: MANY KEY DELS CONTINUE OPPOSE D.G. LONG'S PROPOSAL TO SET ACCOUNTING EXCHANGE RATE, BUT THERE ARE SIGNS U.S. IS BECOMING INCREASINGLY ISOLATED IN OPPOSING REIMBURSEMENT OF LOSSES WITH 1974 SURPLUS. END SUMMARY.

1. RECENT DISCUSSIONS WITH GATT DELS CONFIRM THAT FRANCE, FRG, JAPAN, U.K. CONTINUE OPPOSE D.G. LONG'S PROPOSAL TO SET YEAR-LONG ACCOUNTING EXCHANGE RATE AS INCONSISTENT WITH U.N. COMMON SYSTEM AND AS ESTABLISHING UNACCEPTABLE PRECEDENT. THUS, SITUATION RE THIS BASIC PROPOSAL REMAINS AS REPORTED IN REFTEL (A).

2. WITH REFERENCE TO PARA 5 OF STATE 88495, HOWEVER, WE MUST NOW REPORT SIGNS THAT U.S. IS BECOMING INCREASINGLY ISOLATED ON QUESTION OF USING 1974 EXCESS BUDGET SURPLUS AS SOURCE TO REMUNERATE EMPLOYEES FOR UNCOMPENSATED LOSSES RESULTING FROM DECLINE IN VALUE OF DOLLAR. JAPAN, NETHERLANDS WERE ALREADY PREPARED GO ALONG; FRENCH AND CANADIAN DELS HAVE NOW BEGUN SPEAK OF FLEXIBILITY ON THIS PROPOSAL. U.K. STILL OPPOSES BUT THEIR DEL EXPECTS LONDON TO GO ALONG IF PROSPECT OF STRIKE DURING

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PAGE 02 GENEVA 03318 071833Z

JULY TNC MEETING BECOMES SERIOUS. FRG HAS GIVEN NO HINT OF

YIELDING; IN LATEST INFORMAL DISCUSSIONS AROUND TOWN WE HAVE REPEATED THAT U.S. OPPOSES BOTH PROPOSALS.

3. FRENCH, U.K., CANADIAN OFFICIALS HAVE ASKED WHETHER U.S. REALLY INTENDS RISK DISRUPTION OF MTN OVER THIS ISSUE. SOFTENING IN OTHER DEL POSITIONS IS DUE AT LEAST IN PART TO DISILLUSIONMENT OVER LENGTHY PERIOD OF INACTION BY U.N. SINCE PROBLEM WAS FIRST ADDRESSED BY GATT BUDGET COMMITTEE IN 1973 (GENEVA 5357, 5474, 5586 OF OCTOBER 1973). AT THAT TIME, MAJOR CONTRIBUTORS HAD BEEN WILLING STAND FIRM WITH U.S. THAT ISSUE MUST BE HANDLED IN U.N. CONTEXT.

4. AS DEPT. AWARE, ORIGINAL SWFR 2,520,000 1974 SURPLUS WAS EARMARKED BY BUDGET COMMITTEE AND LATER GATT SESSION FOR SPECIFIC USE; LONG IS NOT PROPOSING TO GO BACK ON THOSE DECISIONS OR THOSE AMOUNTS. PROPOSAL ONLY DEALS WITH AN ADDITIONAL 1974 SURPLUS OF SWFR 514,409, WHICH ACCUMULATED IN EXCESS OF ORIGINAL FACTORS: (A) DELAY IN BEGINNING OF BARGAINING STAGE OF MTN UNTIL 1975, (B) DELAY IN BEGINNING RENOVATION OF FUTURE GATT QUARTERS CAUSED BY LATE ILO EXIT AND PRESENT CSCE USE OF OLD BUILDING, AND (C) FURTHER REDUCTIONS IN COMPENSATION TO GATT STAFF OCCASIONED BY DECLINE IN DOLLAR WHICH NOT MADE UP BY POST ADJUSTMENT MECHANISM.

5. MISSION HAS OBTAINED FOLLOWING FURTHER DETAILS ON EXCESS SURPLUS REIMBURSEMENT PROPOSAL. EXCESS WOULD BE PAID OUT IN DIRECT PROPORTION TO EXCHANGE-RATE INCOME LOSSES SUFFERED BY EACH PROFESSIONAL-LEVEL EMPLOYEE IN 1974. AMOUNTS WOULD BE COMPUTED ACCORDING TO NUMBER OF EXCHANGE-RATE RELATED POST ADJUSTMENT CLASSES IN EFFECT DURING EACH MONTH OF 1974 AND ONLY IN AMOUNT THAT POST ADJUSTMENT MECHANISM FAILED TO COMPENSATE EMPLOYEE. GREATEST BENEFIT WOULD THUS GO TO EMPLOYEES WITHOUT DEPENDENTS. SINCE TOTAL AMOUNT OF FUNDS AVAILABLE IS 3.5 PERCENT SMALLER THAN TOTAL LOSSES INCURRED, EACH PROFESSIONAL EMPLOYEE'S PAYMENT WOULD BE DIMINISHED BY THIS PERCENTAGE. COPY OF SHORT PAPER FROM SECRETARIAT EXPLAINING DETAILS OF PROPOSAL BEING POUCHED IO/OIC (JACKSON), BUT THESE DETAILS ARE ESSENTIALLY AS EXPLAINED ABOVE.

6. U.S. POSITION OF CONTINUING RESIST THIS SECOND PROPOSAL IS MADE DIFFICULT BY FACT THAT (A) U.S. AND OTHER CPS WERE WILLING LIMITED OFFICIAL USE

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PAGE 03 GENEVA 03318 071833Z

BREAK RANKS WITH U.N. SYSTEM AND ESTABLISH GATT BUDGET IN SWISS FRANCS, BUT (B) WHEN EXCHANGE RATE CHANGES CAUSED VISIBLE ACCUMULATION OF FUNDS WITHHELD FROM STAFF'S SALARIES AND ALLOWANCES, WE HAVE REFUSED TAKE SEPARATE ACTION. MISSION NOTES THAT 1972 ADOPTION SWISS FRANC BUDGET FOR GATT HAS NOT TO DATE TRIGGERED PROLIFERATION OF GENEVA-WIDE ABANDONMENT DOLLAR BUDGETS. WE BELIEVE THIS AT LEAST PARTLY DUE TO UNIQUE STATUS OF GATT, WHICH (1) IS NOT PART OF UN SYSTEM, ALTHOUGH

IT HAS ADOPTED UN COMMON SYSTEM FOR PERSONNEL MATTERS, (2) IS SMALL, AND (3) UNLIKE OTHER ORGANIZATIONS WITH STAFF HERE, IS WHOLLY GENEVA BASED. GATT EMPLOYEES ARGUE THAT DISTINCTION BETWEEN GATT AND GENEVA UN ORGANIZATIONS THAT WOULD RESULT FROM DISTRIBUTION OF EXCESS 1974 SURPLUS COULD BE JUSTIFIED ON BASIS THAT GATT HAS SWISS FRANC BUDGET.

7. DESPITE FACT THAT SWITCHING GATT BUDGET TO FRANCS IN 1972 DID NOT CAUSE PROLIFERATION OF SWITCHES, WE BELIEVE THERE IS RPT IS LIKLIHOOD THAT OTHER GENEVA EMPLOYEES MIGHT EVENTUALLY ASK SIMILAR COMPENSATION. HOWEVER, OTHERS DO NOT HAVE DANGLING BEFORE THEM RATHER UNSETTLING GOAD OF VISIBLE BUDGET SURPLUS WHICH HAS RESULTED LARGELY FROM REDUCTIONS IN STAFF PAY. WE ALSO AWARE THERE IS PROBLEM OF PRECEDENT WHICH DISTRIBUTION OF EXCESS 1974 SURPLUS WILL SET FOR FUTURE GATT BUDGETS. THIS ISSUE WILL SIMPLY HAVE TO BE FACED ALONG WITH LARGER PROBLEM OF EXCHANGE-RATE EFFECTS ON U.N. -SYSTEM COMPENSATION.

8. CONCLUSIONS: WITH MAJOR CONTRIBUTORS HOLDING FIRM ON OPPOSING LONG'S FIXED EXCHANGE-RATE PROPOSAL, DO NOT BELIEVE THERE IS NEAR-TERM DANGER THAT GATT COUNCIL WILL APPROVE ANY MAJOR BREACH OF COMMON SYSTEM. FINAL DECISIONS ON U.S. POSITION ON REIMBURSEMENT FROM 1974 EXCESS SURPLUS, HOWEVER, SHOULD TAKE ACCOUNT OF OUR GROWING ISOLATION ON THIS ISSUE, OF THE BROADER IMPLICATIONS OF A POSSIBLE LONE U.S. OR U.S./FRG OPPOSITION TRIGGERING A DISRUPTIVE STRIKE DURING MTN, AND OF POSSIBILITY WE MAY BE VOTED DOWN ANYWAY. IF LATTER SHOULD MATERIALIZE, IN ADDITION TO OTHER DISADVANTAGES, IT WOULD BREACH IMPORTANT GATT TRADITIONS OF OPERATING ON CONSENSUS.ABRAMS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GENEVA03318
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750160-0911
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750574/aaaacpvg.tel
Line Count: 144
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 GENEVA 2981, 75 STATE 88495
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2003 by BoyleJA>; APPROVED <31 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GATT SALARIES AND ALLOWANCES
TAGS: AORG, OCON, GATT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006